

FISCAL NOTE

Bill #: HB751

Title: Increase alcohol tax to fund certain health programs

Primary Sponsor: C. Harris

Status: As Introduced

Sponsor signature	Date	Chuck Swysgood, Budget Director	Date
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Fiscal Summary

	FY 2004 <u>Difference</u>	FY 2005 <u>Difference</u>
Revenue:		
General Fund	(\$38,944)	(\$40,428)
SSRA – Fetal Alcohol Syndrome	\$1,154,780	\$1,198,172
Net Impact on General Fund Balance:	(\$38,944)	(\$40,428)

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|--|--|
| <input type="checkbox"/> Significant Local Gov. Impact
<input type="checkbox"/> Included in the Executive Budget
<input checked="" type="checkbox"/> Dedicated Revenue Form Attached | <input type="checkbox"/> Technical Concerns
<input type="checkbox"/> Significant Long-Term Impacts
<input type="checkbox"/> Needs to be included in HB 2 |
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Fiscal Analysis

ASSUMPTIONS:

Liquor Excise

- Under current law, the liquor excise tax will generate \$8,540,952 in gross revenue in FY2004 and \$8,862,349 in FY2005. For each percentage increase in the liquor excise tax rate, the tax will increase revenues by \$533,810 in FY04 ($\$8,540,952/16 = \$533,810$) and \$553,897 in FY05 ($\$8,862,349/16 = \$553,897$).
- Liquor excise taxes are currently deposited 100% to the state general fund. The State of Montana has revenue sharing agreements with the various Native American tribes of the state. In FY04, the tribes will receive \$144,000 of revenue from these agreements and \$149,000 of revenue in FY05.
- This bill changes the liquor excise tax rate from 16% to 17%.
- Under the proposal, the amount of gross revenue generated by the liquor excise tax will increase by \$533,810 in FY04 and \$553,897 in FY05.
- This bill changes the distribution of the liquor excise tax to 93.66% to the state general fund and 6.34% to a new special revenue account for use by DPHHS for the treatment of fetal alcohol syndrome.
- For FY04, the liquor excise tax will generate \$8,355,422 for the state general fund ($\$9,074,762 \times .9366 = \$8,499,422 - \$144,000 \text{ tribal share} = \$8,355,422$) and \$8,670,256 in FY05 ($\$9,416,246 \times .9366 = \$8,819,256 - \$149,000 \text{ tribal share} = \$8,670,256$). For FY04 this results in a decrease of \$41,530 over HJR2 projections ($\$8,396,952 - \$8,355,422 = \$41,530$). Based on HJR2 estimates, this will decrease the amount in the state general fund by \$43,093 in FY05 ($\$8,713,349 - \$8,670,256 = \$43,093$).

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7. For FY04 the state special revenue account for the treatment of fetal alcohol syndrome will receive \$566,210 ($\$9,074,762 \times .0634 = \$566,210$). For FY05, the SSRA will receive \$587,543 ($\$9,416,246 \times .0634 = \$587,543$).

Liquor license tax

8. This bill changes the tax rate for liquor license tax from 10% to 11%. Under the proposal, for FY04 the liquor license tax will generate \$5,871,905 ($\$5,338,095 + \$533,810 = \$5,871,905$). For FY05, the liquor license tax will generate \$6,092,865 ($\$5,538,968 + \$553,897 = \$6,092,865$).
9. Liquor license taxes are currently deposited 34.5% to the state general fund and 66.5% to the state special revenue account for the treatment of alcohol and chemical dependency. This bill changes that distribution to 31.45% to the state general fund, 58.41% to the SSRA for alcohol and chemical dependency treatment and 10.14% to the fetal alcohol syndrome treatment.
10. Under the proposal the state general fund would receive \$1,846,714 in FY04 ($\$5,871,905 \times .3145 = \$1,846,714$). This represents an increase of \$5,071 over current HJR2 estimates. For FY05, the liquor license tax will produce \$1,916,206 for the state general fund ($\$6,095,865 \times .3145 = \$1,916,206$). This is an increase of \$5,262 over current estimates.
11. The SSRA for alcohol and chemical dependency and treatment will receive \$3,429,780 in FY04 ($\$5,871,905 \times .5841 = \$3,429,780$), a decrease of \$66,673 under current estimates. In FY05, the SSRA for alcohol and chemical dependency will receive \$3,558,842 ($\$6,095,865 \times .5841 = \$3,558,842$), a decrease of \$69,182 under current estimates.
12. The SSRA for fetal alcohol treatment will receive \$595,411 in FY04 ($\$5,871,905 \times .1014 = \$595,411$) and \$617,817 in FY05 ($\$6,095,865 \times .1014 = \$617,817$).

Beer tax

13. The beer tax is increased for all levels of production. The average increase in tax is approximately 0.9% per category. For purposes of this fiscal note the estimated amount of taxes generated by the beer tax shown in HJR2 has been increased by 0.9% (.009) for both FY04 and FY05. For FY04, it's estimated that this proposal will generate \$4,072,436 ($\$4,036,111 \times 1.009 = \$4,072,436$) and for FY05 the proposal will increase beer tax revenue to \$4,267,971 ($\$4,229,902 \times 1.009 = \$4,267,971$).
14. This proposal changes the distribution of the beer tax. Under current law, 23.26% is distributed to the SSRA for alcohol and chemical dependency and treatment. The proposal changes that percentage to 23%. An additional 1% is deposited to the credit of the SSRA for fetal alcohol syndrome treatment. The balance, or 76%, goes to the state general fund.
15. In FY04, the SSRA for alcohol and chemical dependency will receive \$936,660 ($\$4,072,436 \times .23 = \$936,660$). In FY05, the SSRA for alcohol will receive \$981,633 ($\$4,267,971 \times .23 = \$981,633$).
16. In FY04, the SSRA for alcohol and chemical dependency will receive \$936,660 ($\$4,072,436 \times .23 = \$936,660$). In FY05, the SSRA for alcohol will receive \$981,633 ($\$4,267,971 \times .23 = \$981,633$).
17. In FY04, the SSRA for fetal alcohol treatment will receive \$40,724 ($\$4,072,436 \times .01 = \$40,724$). In FY05, the SSRA for fetal alcohol treatment receive \$42,680 ($\$4,267,971 \times .01 = \$42,680$).
18. The balance of the revenue will be deposited in the state general fund. In FY04, $\$3,095,052 \{ \$4,072,436 - (\$936,660 + \$40,724) = \$3,095,052 \}$ and in FY05 $\$3,243,658 \{ \$4,267,971 - (\$981,633 + \$42,680) = \$3,243,658 \}$.
19. The State of Montana has revenue sharing agreements with the various Native American tribes of the state. In FY04, the tribes will receive \$39,000 of beer tax revenue from these agreements and \$41,000 of beer tax revenue in FY05. The state general fund will receive a net total \$3,056,052 in FY04 ($\$3,095,052 - \$39,000 = \$3,056,052$) and \$3,202,658 in FY05 ($\$3,243,658 - \$41,000 = \$3,202,658$).

Wine Tax

20. The wine tax is increased from \$0.27/cents per liter to \$0.273/cents per liter.

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21. Based on HJR2 calculations, the amount of wine tax revenue will increase to \$1,912,858 in FY04 and \$1,940,847 in FY05 or by \$11,891 in FY04 and \$11,881 in FY05.
22. Of these amounts, 68.23% will be deposited in the state general fund. For FY04, \$1,305,143 ($\$1,912,858 \times .6823 = \$1,305,143$). The State of Montana has revenue sharing agreements with the various Native American tribes of the state. For FY04, the tribal share of the wine tax is estimated at \$22,000. After deducting for the tribal share the state general fund will receive \$1,283,143 ($\$1,305,143 - \$22,000 = \$1,283,143$), a decrease of \$225 over the HJR2 estimate. For FY05, the state general fund will receive \$1,324,240. After deducting the tribal share, the state general fund will receive \$1,302,240 ($\$1,324,240 - \$22,000 = \$1,302,240$), a decrease of \$228 over HJR2 estimates.
23. The SSRA for alcohol and chemical dependency treatment will receive 30.66% of these revenues. For FY04, the SSRA will receive \$586,482 ($\$1,912,858 \times .3066 = \$586,482$). For FY05, the SSRA will receive \$595,064 ($\$1,940,847 \times .3066 = \$595,064$).
24. The SSRA for fetal alcohol syndrome will receive \$21,233 in FY04 ($\$1,912,858 \times .0111 = \$21,233$) and \$21,543 in FY05 ($\$1,940,847 \times .0111 = \$21,543$).

Summary

25. Net impact to the state general fund in FY04 is a decrease of \$38,944 from all taxes. In FY05, the net impact to the state general fund is a decrease of \$40,428.
26. Net impact to the state special revenue account for alcohol and chemical dependency treatment is a decrease of \$68,799 in FY04 and \$71,411 in FY05.
27. Net impact to the state special revenue account for fetal alcohol syndrome treatment is an increase of \$1,223,579 in FY04 and an increase of \$1,269,583 in FY05.
28. This bill is effective on July 1, 2003 and applies to alcohol sales after June 30, 2003.
29. There is no administrative impact to the department.

FISCAL IMPACT:

	FY 2004 <u>Difference</u>	FY 2005 <u>Difference</u>
<u>Revenues:</u>		
General Fund (01)	(\$38,944)	(\$40,428)
State Special Revenue – Alcohol Treatment	(\$68,799)	(\$71,411)
State Special Revenue – Fetal Alcohol	\$1,223,579	\$1,269,583

Net Impact to Fund Balance (Revenue minus Funding of Expenditures):

General Fund (01)	(\$38,944)	(\$40,428)
State Special Revenue (02)	\$1,154,779	\$1,198,172